



HELSINGIN YLIOPISTO
HELSINGFORS UNIVERSITET
UNIVERSITY OF HELSINKI

Opiskelijakirjaston verkkojulkaisu 2006

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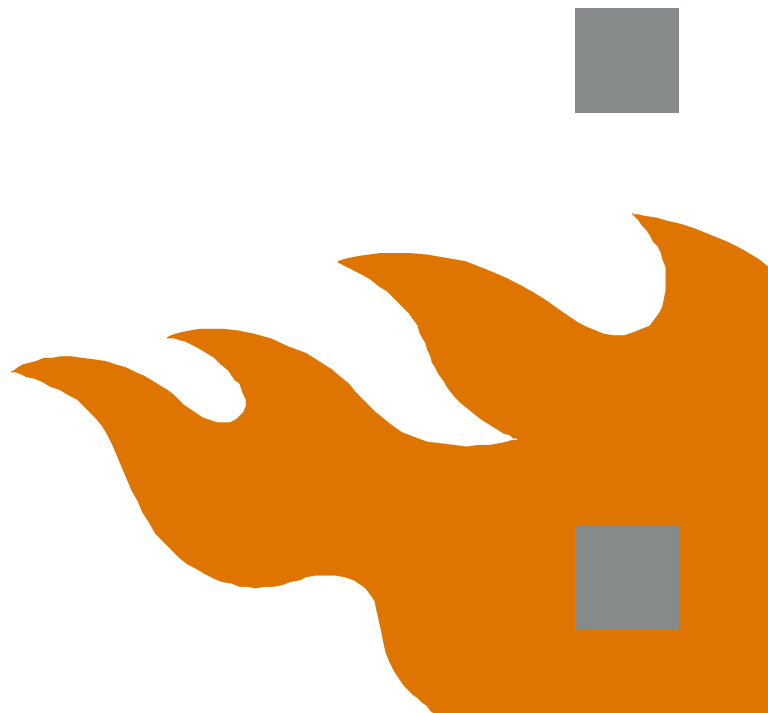
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Julkaisu: Studies in Political Economy 34, Spring 1991
Ottawa: Carleton University Graphic Services, 1979-
s. 147-171

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Planning in the Swedish Welfare State

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Introduction The purpose of this article is to explain some of the characteristics of the Swedish welfare system as it emerged after the Second World War. It discusses the ideological background, the creation of the instruments, and the implementation process as a sequence beginning in the 1930s. The historical approach allows us to understand that at crucial points in time unique circumstances were instrumental in forming the institutional framework of the Swedish welfare system. Such an insight should make it easier to understand the problems of reorientation facing the Swedish welfare system today, when some of its apparently fundamental prerequisites are tending to disappear. Among these are the dominant political position of the Social Democratic Party, the strong performance of Swedish industry and a certain insulation from international forces.

The Ideas It is well known that the Swedish Social Democratic Party (*Socialdemokratiska arbetarepartiet*, or SAP) from the early 1930s established itself in a hegemonic position in the nation and for half a century dominated the political scene, leading all governments between 1932 and 1976. SAP's long-term hegemony makes it unique among modern social democratic parties.¹ A cornerstone of its position was the symbiotic relationship between the party and the labour movement, centralized under its national body, the Swedish Confederation of Trade Unions (*Landsorganisationen*, or LO). The bonds between the SAP and the LO were very strong; the metaphor commonly used was that the labour

movement had two branches, the political and the union. Normally, all members of the unions automatically became members of the party as well, since an active majority within a union could collectively enroll all its members; and with this huge membership, the SAP had a very secure financial base. In order to understand the Swedish welfare state we must, therefore, understand the ideological traditions that formed the policy of the SAP.²

The state, Marx and Keynes The tradition of central planning was already well established before the 1930s.³ The state had, for example, borrowed heavily abroad during the Swedish industrialization process and taken primary responsibility for infrastructural investments: railways, hydro-electric power, etc.⁴ Central responsibility for social policy came naturally; the "Bismarckian" way of solving "the problem of the working class" influenced Swedish thinking, not least among the Swedish Social Democrats, whose first program was imported from Germany.⁵ This approach, social reform through state action rather than revolution, also meant taking responsibility for the basic functions and long-term economic growth of the country, thereby securing the material basis for the well-being of the working class.⁶

The best illustration of the reformist balance between a liberal market tradition and the socialist tradition is the so-called "socialization question." This was discussed during the 1920s, but finally settled during the 1932 Party Congress when the SAP distanced itself from massive socialization. It was argued that socialization during the depression would probably mean going from bad to worse. There was the risk that a socialized economy would function even less well than the existing one. Urgent appeals from the Socialist International were ignored, and references made to the Soviet Union were dismissed as irrelevant for what were thought to be obvious reasons: "a gigantic industrialization experiment... under party dictatorship."⁷ On the threshold of entering its long hegemonic role in Swedish politics, the SAP thus discarded much of the Marxist rhetoric in the party program, and in fact accepted many liberal ideas.⁸

At the same time, however, the Marxist tradition of class struggle remained alive as a strong demand for equalization

of economic and social conditions among the population. Equality and redistributive justice were the parts of the social democratic ideological arsenal that were to guarantee broad support among the population. The limits for a radically redistributive, welfare policy, however, were set by the "liberal" responsibility for the overall function and growth of the economy. A party that aimed to be *statsbärande*, i. e. carrier of the responsibility for the state, could not afford populist shortsightedness. Since the early 1930s, the SAP has been extremely good at pragmatically striking the delicate balance between the two traditions: growth and fairness or efficiency and equality.

Historical circumstances partly explain the road chosen by the SAP. The party was defeated at the general elections in 1928 — called the "cossack elections," because the Conservative Party used the Soviet Union as a warning of what could be expected if the socialists came to power in Sweden and concentrated much of its propaganda on proposals from the SAP for an increased inheritance tax.⁹ The serious setback in the elections was afterwards used by the more pragmatic and reformist fraction within the SAP to force the party in less controversial directions.

During the depression, the introduction of Keynesianism proved to be of great significance for the SAP. The Keynesian "new economic policy" was a godsend to a party that was ideologically approaching a dead end. The theory accorded the state an active role, allowing it to use budget deficits to pursue its fiscal goals. The party now promised to improve the situation for the unemployed, and could justify its program of relief work at union wages.¹⁰

The early introduction of the "new economic policy" in Sweden played a fundamental role for the SAP, giving it ideological identity and a role in the country's mythology. Although it has subsequently been shown that the policy itself had little significance for the economic recovery of the country, Keynesianism was for a long time credited with having saved Sweden from severe depressions and poverty. The Social Democrats, who were strongly associated with the policy, were thus cast as the agents of Sweden's delivery from the depression. The persistent emphasis that the SAP

has put since then on keeping unemployment down has to a large extent been a result of this legacy from the 1930s.¹¹

The market system, as it functioned before the First World War, was regarded as a failure. Thus, the prolonged economic depression during the inter-war period forced governments everywhere to look for new solutions. Many countries ended up with corporatist or fascist systems, others with radical socialism. In Sweden, the SAP entered this stage, supported by strong labour unions and equipped with a reformist program that aimed at combining full employment and economic growth with social and egalitarian reforms. Its ideological roots were both liberal and Marxist, to which was added a good portion of Keynesian economic policy. Before we leave the 1930s it is, however, necessary to add yet another less well-known element that was instrumental for the SAP in its ambitious program of reform for Swedish society.

Social engineering and the Myrdals Among Swedish intellectuals, the dominant philosophical tradition during the interwar years was the so-called Uppsala school, with Axel Hägerström as the best known proponent.¹² This group of philosophers criticized the idealist theory of knowledge and the existence of absolute values as the foundation for thinking about society. Moral concepts, it was explained, merely reflect their time and social carriers. This nihilistic value theory, developed by Hägerström, opened the door for a functionalist attitude towards society: i.e. once the direction of change had been determined, the rational social scientist could judge the most efficient means to use in pursuing it.

One prominent advocate of this tradition was Vilhelm Lundstedt, a Professor of Law, who was also an active member of the SAP and represented the party in parliament for many years. According to Lundstedt, there existed no absolute rights or duties for the members of a society. Laws are created to serve the "public welfare" (*samhällsnyttan*) — or as Lundstedt put it: the promotion of people's actual desires — and it was "public welfare" that ought to be the basis for interpreting the law.¹³

The same type of argument was used by the well known economist Gunnar Myrdal. In 1930 Myrdal published *The*

political element in the development of economic theory (*Vetenskap och politik i nationalekonomien*), in which he laid bare the hidden and subjective values implicit in classical economics.¹⁴ This was a radical exercise in the tradition of Hägerström, to whom Myrdal often referred in his writings. Two years later, Myrdal had just joined the SAP and was formulating radical social policy for the party.¹⁵ According to Myrdal, this did not present any contradictions. The "economic technician" should separate values from facts, but once this was done it was professionally acceptable to work in the service of a party or class. So long as one's value premises were not concealed, it posed no problems. Egalitarian values were, according to Myrdal, so widely accepted in Sweden that he felt perfectly comfortable helping the SAP to reform society in order to increase equality.

What Sweden needed, Myrdal argued, was a "prophylactic" social policy. Instead of taking care of citizens who suffer as a consequence of the weaknesses in the "social system," the state ought to change the system so people did not have to encounter such problems. The rational architects of the new system were the sociologists or economists. They would be the carriers of a new "socio-technical" radicalism, free of "liberal conventionalism" and "Marxist determinism," both outdated relics of the 19th century.

The social engineer can be regarded strictly as a pilot, helping the captain to reach a certain destination, but Myrdal obviously also wanted to give the captain of the ship some advice about where to sail. His tendency was to let rationality dominate over ideology:

Scientific discussion ought to be in advance of politics. It ought to group problems even before they reach actuality and formulate them in a way that is intelligible to the general public. Only thus can the scholar lead public opinion and by his initiative give a realistic setting and a rational shape to political questions as they arise.¹⁶

Together with his wife Alva, Gunnar Myrdal became the most influential of all Swedish social engineers. They published widely and were active in numerous public inquiries

into social and economic problems. Later they were to become members of the Social Democratic government. In 1934, they published the highly influential *On the population crisis* (*Kris i befolkningsfrågan*).¹¹ Starting with a discussion of the reasons behind the declining Swedish fertility rate, the book brought to the fore a whole range of social problems and argued for much more active social planning. Karl Popper makes a distinction between two types of social engineers: the dangerous, authoritarian, Utopian or historicist variety versus the democratic types who work step-by-step, testing and keeping in contact with ordinary people.¹⁸ The Myrdals would probably have described themselves as the latter type. They did not refer to ideology or Utopia, only to rationality. Yet Yvonne Hirdman argues that, in fact, this rationality, allegedly free from hidden values, was as dangerous a basis for social engineering as any Utopia.¹⁹ The Myrdals's declared goal was to "fundamentally change different forms of human life and create societies using knowledge as the rationale."²⁰ In the hands of a strong government, such a goal could easily give birth to very authoritarian programs.

Hirdman also demonstrates the many-sidedness of the SAP metaphor of the 1930s, "the People's Home" (*Folkhemmet*). The concept was frequently used by Per Albin Hansson, the chair of the SAP and Prime Minister from 1932 to 1946, chiefly as a contrast to the heartless world of market capitalism. Within a home or household, the necessities of life are shared according to needs and not according to the cruel principles of the market. The traditional socialist conflict between labour and capital was partly replaced by the dichotomy of work versus home. The family, the home and social policy were put in focus; this was couched as "practical" socialism, in opposition to the "idealistic" kind. Consumption became the important issue, not production. This was easily combined with the Keynesian emphasis on demand as a key factor in economic growth. To this was added a qualitative dimension. Distinctions were made between good consumption and bad. According to the social engineers, patterns of good consumption had to be inculcated through education. There was little regard for the

19th century reformers notions of respect for privacy. As Alva Myrdal put it,

in the future, what people do with their money will not be regarded as socially insignificant: what standard of housing they have, what kind of food and clothing they buy and, above all, whether the necessary consumption for their children is cared for. The tendency will be towards societal organization and control, not only of the distribution of income in society, but also of the pattern of consumption within families.

The notion of "the People's Home," as well as the discussions of the demographic question and housing programs, brought women into the centre of the political scene. For many of them, radical functionalist reforms promised a new and richer life, while for others they represented a threat against well established values and family life.²¹

One typical feature in Swedish economic planning — the emphasis on "socialization from the demand side" rather than "socialization from the supply side" — can probably be traced to the influence of the social engineers on the Swedish Social Democrats. Social engineering also fitted well into the SAP arsenal on a more general level. At the beginning of the 1930s, the SAP was primarily looking for short-term solutions to vexing social and economic problems. While liberal market solutions had lost their credibility, traditional Marxist ideologies were not popularly accepted and were thus not very useful for a party that had taken on responsibility for the country's economy. Keynesian economic theory helped to fill an ideological vacuum for the SAP. Elements from the new economic thinking could be supplemented in a natural way by social engineering, which was based on egalitarian values and offered a radical social policy that included rational planning and growth of the public sector. Towards the end of the decade, the Social Democrats were thus equipped with a range of planning ideas, which included liberal and Marxist elements, enlarged by Keynesian theories on economic policy, and arguments in favour of active social engineering.

The Instruments The realities of the 1930s required that earlier socialist and radical ideas be forged into a body of

concrete goals for a Social Democratic policy. Most of these plans, however, could not be immediately implemented. Concrete plans for reforms had been developed in many cases, but the tools of implementation were still lacking. The existing state bureaucracy was too small and too conservative to be really useful. It took the Second World War to remove most of these restrictions.

The war generated a strong feeling of common interest and national unity. A coalition government was formed in 1940, which included the SAP and the three non-socialist parties. For many Swedes, Social Democracy became the safe haven between the radical ideologies of left and right. After the Molotov-Ribbentrop treaty and the Soviet attack on Finland in December 1939, the Swedish Communist Party was isolated and politically crippled for several years. No fascist or nazi party managed to win seats in the parliament. Per Albin Hansson became a unifying symbol for the country's cautious and pragmatic policy of neutrality. During the war, representatives from all parties of the government marched together in the traditional socialist parade on the First of May, the red standards mixed with the yellow and blue of the Swedish flag. In 1940 the SAP received nearly 54 percent of the total votes in the general elections. The party had become the main vehicle of national unity, a genuine *statsbärande* party.

In Sweden, as in countries directly involved in the war, an emergency administration was given responsibility for the wartime economy. The goal was to secure resources for the country's defense and to guarantee a fair distribution of the necessities of life. A new Ministry of Supply (*Folkhushållningsdepartementet*) was created and the emergency administration was effectively put under the direct control of the government. The existing, but ill-fated, emergency bureaucracy from the First World War was to a great extent ignored. A group of primary emergency bodies for different fields were set up. Some of these were subordinate to the Ministry of Supply, others were under regular departments. To the former belonged the important Food Commission, the Industrial Commission, the Price Control Board, the Fuel Commission and the Transport Commission.

A subgroup of secondary bodies was formed under this level, not reporting directly to the government, but to the "commission level." In addition, a large and flexible group of between 20,000 and 25,000 local and regional bodies was established, which worked closely together with business and citizens. If the sub-local bodies, often one-person operations, are included, there were more than 100,000 agencies.²² Sweden during these years has been characterized as

a society thoroughly regulated by emergency bodies, (with) the orientation of these bodies towards both specialization and cooperation, the organizational flexibility built into the administrative apparatus and the informal operating procedures of the emergency bodies as an expression of a new administrative efficiency.²³

Another characteristic feature was the centralization of decision-making. Traditional municipal self-government was more or less abolished when it came to emergency regulation. Typically, corporatist organizations and interest groups of different kinds were brought into the system where they were assigned the status of semi-official bodies. Of course, the tradition of working closely together with such bodies was already well-established within the SAP. As a part of the labour movement, it had considerable experience in working with the unions. The Swedish Employers' Confederation, SAF, and the Swedish Confederation of Trade Unions, LO, in 1938 signed the notorious Saltsjöbaden agreement, which gave these national organizations a completely dominant position in negotiating wages and other conditions on behalf of workers. This tendency to concentrate powers in the hands of the national leadership manifested itself again in 1941 when the LO was given the power to settle jurisdictional disputes among its members and to make changes in the organization of its affiliates.

The agrarian policy developed during the 1930s was based on a collaboration not only with the Agrarian Party, but also the farmers' movement, a "popular movement" with great similarities to the trade union movement. Just before the outbreak of the war, the government invited repre-

sentatives of the national organizations for trade and industry to discuss collective agreements along these lines. During the war, control of prices and wages was successful thanks to agreements between the governments and all these central organizations.

The increasing concentration on - and penetration by - national organizations during the war thus went hand in hand with a closer integration between these organizations and the government. The latter, having started to take a firmer political grip of the state during the 1930s, now used the emergency situation to strengthen this hold, while at the same time the state took tighter control over the whole society with the help of the new administrative system.

The basis for the emergency administration was a number of new laws that put the state in complete command of all resources, production, foreign trade and the financial sector. This emergency legislation was only gradually eliminated after the war and was to a large extent still in force at the end of the 1940s. The foreign exchange controls introduced in 1939 remained for half a century as the foundation of Swedish economic policy, a policy that differed significantly from that of other countries.

The SAP gained valuable experience during the five years of war and became comfortable with the role of *statsbärande* party. In contrast to many other European countries, there was in Sweden no disruption in the political situation during or after the war. The political system and the bearers of state authority remained the same. Nor did Sweden's position as a neutral country change much when the war ended. By not joining either of the two Cold War blocs, Sweden remained politically isolated. A certain independence also characterized the approach to economic and social policy: Sweden was inclined to look for its own solutions.

It is important to underline this continuity between the 1930s and the postwar period. Many of those who developed the planning philosophy before the war also took part in building up the administrative capacity during the war, and were finally prepared to implement the programs after the war. The difference between Swedish postwar planning and the planning that took place in other countries was, there-

fore, mainly a result of specific circumstances during the 1930s. The war created an opportunity to devise the necessary instruments; the continuity within the social and political structure together with Sweden's relative isolation, explains much of what happened from the 1950s onwards.

The Implementation As a preparation for peace, the Social Democrats worked out a new party program in 1944, in which the ideas of a planned economy played an prominent role. Ernst Wigforss, Minister of Finance and leading party ideologist, was the main architect of this work. The SAP also published "The Labour Movement's Postwar Program." This report was built on the clear assumption that the administrative system from the emergency years should remain in place in peacetime.²⁴ The basic goals were full employment, a fair distribution of wealth, and economic democracy. Some of the proposals were very radical, for example the establishment of a large state commercial bank, socialization of the insurance companies, public investment control, and socialization of certain industries to achieve more effective production. Most significant for the future were the plans for the construction of a comprehensive welfare system.

As the SAP's program took shape, the Commission for Postwar Planning, led by Gunnar Myrdal, was simultaneously publishing its recommendations for the years to come. Here, the theoretical foundations for a postwar economic policy were developed from the thinking of the 1930s, but the Commission went further and presented a theoretically consistent model for what it regarded as rational use of the nation's resources. The Commission also suggested a series of radical steps to cope with the expected postwar depression.

The years 1944-1945 mark the culmination of the planning philosophy within the SAP. The political climate all over Europe had swung to the left. In the 1944 general elections, the Swedish Communist Party secured 10 percent of the total votes, which increased their representation in the 230 seat Second Chamber from three to fifteen. Union expectations were high: wages had been frozen for several years and there had been a shortage of many commodities.

The time had now come to compensate for the lean years, Myrdal, who became Minister of Trade in the purely Social Democratic government that took power in July 1945, coined the catch-phrase of the day: "Harvest Time."

The new government had a wide range of tasks and a variety of programs to choose from for the economic and welfare policy offensive of the ensuing decades. Admittedly, the SAP was for a time forced on the defensive both by domestic political circumstances and by international economic developments.²⁵ The initial push for postwar planning was thus checked, but less so in Sweden than elsewhere. So much of the agenda was already set at the end of the war. The SAP had a strong political base and was able to persevere, so that two decades later Sweden had the largest public sector of all comparable countries and probably the most comprehensive "cradle to grave" system of social security. Although the export industries successfully exploited foreign demand, Sweden did not benefit from any extraordinary economic growth during these years; what was extraordinary was the fact that growth, to a large extent, was directed towards the public sector.²⁶

The expansion of the Swedish welfare state cannot be explained simply by a generally increasing demand for public welfare in a growing economy. Instead, the demand for social security was transformed through the already established political system into specifically Swedish, often centralized and uniform, institutions. These institutions produced public welfare goods while market alternatives were precluded or effectively eliminated. It is these institutional arrangements which give the Swedish welfare profile its distinction, rather than Keynesian economic policy, which was adopted, after the war, in virtually every Western industrialized nation.

Gunnar Myrdal argued in 1932 that there was much scope for an active social policy in Sweden since the country had an unusually low level of taxation.²⁷ By that time public spending, which roughly equaled tax revenues, amounted to about 20 percent of the GDP. Following the outbreak of the Second World War, the percentage increased erratically and, after 1945, grew steadily for many decades. During

the 1960s, public sector growth in Sweden was more rapid than in most comparable countries, and it reached two-thirds of GDP in the 1980s. More than a third of public expenditure consisted of transfer payments to households, with the aim being to channel consumption in certain directions and to equalize living standards. Almost half of public expenditure came in the form of direct public consumption, i.e. education and social services.²⁸

There is no perfect correlation between a large public sector and a highly planned economy. In Sweden, however, the socio-political foundations of the welfare society were laid when the Second World War ended, and the quantitative growth in the public sector no doubt reflects the completion of the project.²⁹ It would be impossible to describe - let alone analyze - in this short space the vast complex of postwar economic planning in the Swedish welfare state. It is useful, however, to focus on one example, in this case housing policy, to illustrate the typically Swedish approach to planning.

Housing policy - a case of planning More attention has probably been paid by politicians to housing than any other sector of the modern Swedish economy. The foundations were laid during the early 1930s, when most of the earlier attempts at influencing the housing situation were abandoned and a new start was made. At this time, there was no clear housing philosophy within the SAP, which was more or less paralyzed by internal controversies: the radical wing advocated large-scale, state-socialist solutions to the housing problem, while the moderate wing preferred small-scale, cooperative housing projects in accordance with syndicalist or guild socialist traditions. For the latter, one house per family was preferred; blocks of flats were associated with traditional dependency on landlords, overcrowding and low standards. All Social Democrats agreed, however, that market forces were unable to solve the country's problems; the private housing market was "a paradise for wolves and jackals."³⁰

This period of paralysis ended in 1932 with the social democrats embrace of countercyclical fiscal policy. As part of an expansionist fiscal policy, a housing program was

ideal: it employed many workers per invested *krona* and it required few imports. Politically, the improvement of housing conditions for the population was easy to defend. Of the total amount of money reserved for the labour market policy in the 1933 state budget, one-quarter was set aside for housing.³¹

The 1933 housing program had both an immediate and a long-term ideological impact. A Social Housing Commission (*Bostadssociala utredningen*) started to work in the same year, but exerted considerable influence long after the war. Alf Johansson, a leading economist, was appointed secretary. He belonged to the new Stockholm School and was, with the exception of Gunnar Myrdal, the most influential economic theorist of the many involved in the development of a social democratic planning philosophy. For Johansson, it was natural to give housing a prominent role in economic policy, not only as a major countercyclical instrument during the 1930s, but also later, when the issue became a matter of "fine-tuning" rather than a fight against economic depressions. This was extremely important for construction workers since the building industry is notoriously vulnerable to market fluctuations. The Construction Workers' Federation, therefore, took a very active part in forming housing policy right from the start.

During the 1930s housing policy was also intimately connected with the "demographic issue." Falling fertility and the prospect of a decrease in total population were worrying to the Swedes. An active housing policy was seen as part of a solution. Overcrowded and unsanitary houses created social problems, and, it was argued, a natural way for people to mitigate the effect of these problems was to avoid having too many children. This was seen to be a typical failure of the social system, which ought to be corrected. Since the "demographic issue" was regarded as important by most people, it was possible to get wide support for several (albeit limited) measures to improve the housing situation, such as subsidizing old-age pensioners and families with many children.

A "prophylactic" social policy aimed higher, however. As the Myrdals put it in *On the population crisis*

... the goal for housing policy ... should be an apartment that in addition to a kitchen and one room for the parents includes one room for the boys and one room for the girls. This means that a family apartment should consist of at least three rooms and a kitchen.³²

It was obvious that such a Utopian improvement could not become reality without heavy state subsidies.³³

The outbreak of the war meant that the housing program was integrated into the overall emergency planning effort. In 1942, rent control was introduced, and it was still in effect half a century later, albeit in modified form. Since the Second World War, the rule of thumb has been that workers should pay 20 percent of their income as rent for a modern apartment, consisting of two rooms and a kitchen. A new system for the financing of house-building was also introduced, whereby very generous state credits were given for the construction of non-profit housing. Since then, public and co-operative organizations have dominated the Swedish housing sector.

In the SAP postwar program, ambitious plans for meeting the need for high quality housing were presented, and the goal was fixed in quantitative terms. In 1946 a Fifteen Year Program was adopted, based on a calculation which included population growth, household formation practice and a set goal of two rooms and a kitchen for a family consisting of two adults and two children. Certain standards of space and quality were also set.

To achieve these goals within 15 years, detailed planning and considerable subsidies were necessary. After some discussion, the SAP chose a rather radical policy. There was to be a concentration on the building of large blocks of flats. This choice was supported by radical architects, influenced by the collectivist ideas of Lewis Mumford and others, who had been active in the second Social Housing Committee.³⁴ Detached houses and co-operatively or privately built and owned houses were discriminated against. The concentration on blocks of flats for rent had an ideological side to it, but also a practical one: substantial demand for privately-owned flats was unlikely, and generous rent

allowances to create a demand for rented flats offered greater opportunities.

To be able to use the communities as instruments for housing policy, the SAP in 1946-1948 succeeded in getting the parliament to change the Local Authority Law of 1862. Under the new regulations, the local authorities which had already been put in charge of distributing state loans for housing construction during the war) could decide the "where, when, what and by whom" for all building projects.³⁵ The new position of the local authorities was now confirmed: they were given the monopoly of planning and the building sector became a part of the political system. Housing agencies were formed on the county, as well as local level. The Social Democrats normally dominated the other organizations that were formed by groups involved in the housing program: the Construction Workers Federation, the National Tenants' Association, the trade-union owned National Builders Association, the Association of Tenants' Savings and Building Societies, the Public Utility Housing Enterprises and so on. The public housing sector was soon managed by this corporatist network of organizations, held together by their loyalty to SAP.

Apartments were distributed by community agencies, with whom all vacant apartments, both publicly and privately-owned, had to be registered. It was declared a "social right" (*social rättighet*) to have a decent place to live; and, in principle, need, not the ability to pay, was to decide the distribution of housing. Communities were encouraged to form non-profit "public utility" building associations, which were dominated by politically elected boards. In expanding industrial and urban regions, where the SAP normally dominated, non-profit builders were much favoured. The number of finished flats increased quickly from about 40,000 per year at the beginning of the 1950s to about 80,000 per year in the middle of the 1960s. They were all built according to central regulations that guaranteed a certain standard and equipment, and more than two-thirds of them were in blocks of flats. These results could not have been reached without the support of national economic policy and a strict control of the capital market. Credit was

directed towards the housing sector by the Bank of Sweden, which forced the commercial banks to satisfy the housing industry's need for long-term credit ahead of other sectors.

Despite the achievements, by the beginning of the 1960s it became clear that the goal set 15 years earlier could not be reached. Though the number of apartments had increased by 700,000, households were still overcrowded and a third of all apartments lacked the required modern conveniences. As a result of rapid structural changes in the Swedish economy during the 1960s, the demand for housing had become more pronounced. Having made housing a political issue, the government was put under pressure to accelerate the pace of construction. The result was the Million Program, under which 100,000 apartments were built per year between 1965 and 1974. This meant an annual growth rate of three percent, an impressive figure made possible by large-scale, industrial construction techniques including prefabrication and the use of new materials.

During the 1970s, the construction of new houses diminished, partly as the combined effect of a slow-down in economic growth, less internal migration and rising building costs. By this time, however, the Swedish housing situation was probably, from an egalitarian point of view, better than in any other country. Yet something had changed in the post-1974 evolution of policy. It was still clear that the state should set the overall goal for the quantity and quality of house construction and allocate the necessary resources, including subsidized loans. It was also still clear that the consumption of all housing should be publicly regulated and that all residents earning less than a certain income should receive rent allowances. But, and this was the new feature, increases in space and equipment above the set basic level could be determined by individual choice. The parliament shifted from

A continued increase in the standard of housing determined by *collective choice* in conjunction with subsidies at all levels of consumption...[to]...A continued increase in the standard of housing determined by *individual choice* in conjunction with subsidies at all levels of consumption.³⁶

This decision reflected the fact that the coalition of popular movements no longer dominated Swedish housing and building policy, as completely as before. This coalition, including the LO and the SAP, had provided the basis of political support for the strictly planned housing policy of the immediate postwar period. Against this coalition stood a weaker coalition with connections to private business. It was not until the 1970s that the political situation changed in such a way that the 30-year old tradition was partly broken and more liberal principles were introduced. Despite these changes, all apartments are still in principle publicly distributed, rents are regulated, and the rent allowance to tenants is one of the largest transfer items in the Swedish public budget. Total support for housing amounted to close to 4 percent of GNP during the 1980s.

The Swedish postwar housing program has been called a "success story."³⁷ A more balanced view must, however, incorporate some of the criticisms that have been levelled against it. Economically, it has been argued that it was unproductive to devote so many resources to one sector of the national economy. Other fields, such as trade and industry, have been affected by this uneven distribution and sometimes lacked capital and labour. Existing regulations are also blamed for creating a situation in which the existing housing facilities were used less effectively than might be the case with a freer market system. Finally, the forced and industrialized housing programs of the 1960s and 1970s evinced little regard for construction traditions and aesthetic values. City centers were demolished and large-scale, anonymous residential blocks, where social problems soon concentrated, replaced them.

Many more examples of the distinctive approach to the implementation of welfare programs might be detailed. One of the most well-known Swedish programs is the active labour market policy developed in the late 1950s. While the policy is recognized as an essential element of the Swedish welfare state, what many observers may be less well aware of is the way the new Labour Market Board

(*Arbetsmarknadsstyrelsen*, or AMS) was staffed. In much of the Swedish civil service, formal qualifications constitute the basis for recruitment. In this case, however, practical experience, general aptitude, and a positive attitude towards the goals of the organization were explicitly emphasized, which meant that Social Democrats and active members of the unions were often chosen. The General Directors and other top officials were normally active social democrats. Promotion within the AMS administration was also unconventional, without the traditional respect for seniority etc; people were hand-picked for internal advancement. The local as well as the central unions were regularly engaged in the "socialization" of the AMS personnel. A flexible and loyal organization enjoying legitimacy among the workers was created through this "cadre" recruitment policy, in a conscious effort to break the ill-fated tradition established by the conservative unemployment agency of the interwar period.³⁸ Both the housing and the labour market policies illustrate the possibilities existing for innovative social democrats as long as their programs met the classic qualifications: the promotion of growth, the satisfaction of union interests, and the furtherance of economic and social equality.

Conclusion Some recent changes in the underlying foundations of the Swedish welfare model may lead to a withering away of the distinctiveness of the Swedish welfare profile. The first of these changes has to do with the *statsbärande* character of the Social Democratic Party. The Swedish welfare state was built up in a democratic and parliamentary manner. Nevertheless, there have been elements in the process that remind us of the "mobilization" strategies used in nations where only one party is allowed. In the examples described above we observe that not only was administrative skill demonstrated in implementing the programs, but that some attention was paid to ensuring that different organizations and popular movements as well as personnel were ideologically committed to these programs. The SAP was not just one (albeit larger) political party among others. It was woven into the very fabric of the society.

Swedes have organized themselves in so-called popular movements, studying or working for their varied collective interests, and SAP members have been frequently found in the leading cadre of such organizations. But this old type of popular movement, rooted in the social changes of the 19th century, has gradually lost its role in Swedish society. The younger generation is committed (if at all) to other tasks. The modern "people's movements," such as Greenpeace, Amnesty International, and so on, have no natural connection with the Social Democratic party. They are single issue movements that mesh poorly with the established party structure.

The *statsbärande* character of the SAP has also diminished as a result of its weaker position in parliament. The 1976-1982 period of non-socialist government did not fundamentally change politics, but the notion of the SAP as the only conceivable ruling party was obviously affected. Since 1982, the party has not been able to form a parliamentary majority of its own, which has forced it into many compromises and a subsequent loss of identity.

The party's close attachment to the LO has also become a somewhat less valuable asset. From having been able to count on three-quarters of the workers' votes in the national elections, the SAP cannot be sure of much more than half to-day. There are also signs of a decreasing rate of unionization, associated, in part, with the growth of the "postindustrial" private sector. Finally, party membership in the SAP declined by roughly ten percent during the 1980s. A reasonable prediction is that this will further decline with the termination of collective union membership in the party. The second long-term change concerns Sweden's recent economic performance. The strength of the Swedish welfare model has been its ability to combine social security and an egalitarian distribution of income with significant economic growth. Sweden started from an advantageous position after the war and could exploit unparalleled growth in the international economy for more than two decades. A rapid structural change in Swedish society, including the early addition of married women to the labour force, gave further growth potential. However, since the early 1970s, GDP per capita

has been rising at a markedly slower rate in Sweden than in most OECD economies.³⁹ It has gradually become clear to most Swedish citizens that the country is steadily losing ground when standards of living are compared with other countries. Qualified blue collar workers and salaried employees have found that their European counterparts enjoy a higher level of private consumption, while at the same time their social benefits are also often fully comparable. As a result, there has been an aggravated and openly exposed tension within the social democratic party, sometimes referred to as "the war of the roses," with one side arguing for more of a "Marxist," egalitarian and traditional SAP policy and the other for a more liberal and growth-oriented policy. The dividing line between the two camps is to some extent congruent with the border between publicly and privately employed, mainly industrial, workers. Since the 1970s, the union of local government employees has displaced the metal workers as Sweden's largest union.

These challenges to the Swedish welfare model are, in a way, the result of its very accomplishments. In the social security field, comprehensive systems have been built up to such an extent that they sometimes have reached a saturation point. Many conservative SAP voters still demand new and costly welfare reforms, but with a public sector covering almost two-thirds of the nation's total production and the highest rate of taxation in the OECD, it is hard to proceed with further expansion of the system. Increasingly, interest has focussed on public sector productivity, rather than growth and this has occasioned debate about the efficacy of public monopoly of welfare production. In this connection, a "decentralization wave" has passed through the administrative systems, resulting in the erosion of centralist traditions. In an attempt to curb inflation, wage-formation has also gradually become more decentralized. The Swedish Employers' Confederation (SAF) and the LO used to agree on the framework within which different unions and industries negotiated wages. The necessary discipline for such a system has, however, broken down and, since the 1970s, the employers' organizations do not find it useful or possible

to negotiate on a national level, a development which has weakened the position of the LO as well.

The third important tendency is the internationalization of Swedish society. At the end of the Second World War, Sweden was a comparatively isolated country. This is something of a paradox, since its industry was export-oriented and Swedish politicians assumed an active role abroad. As a result of its official neutrality, however, Sweden has had little to do with other European nations politically. The SAP has tended to maintain contact with social democratic movements abroad rather than with foreign governments as such. Since no other social democratic party has enjoyed such a long term in office as in Sweden diplomatic relations with the European states remained relatively formal. The SAP did not find it worthwhile to look to a mainly conservative Europe for inspiration with respect to economic or welfare policy. Connections to developing countries or more radical governments, whether directly or via the United Nations, have tended to overshadow contacts with closer neighbours. The integration of an economically vitalized Europe has, however, forced Sweden to revise its outlook. Sweden must now harmonize its policies in many areas to gain or maintain access to other markets. The recent loosening-up of the political blocs has also reduced the barriers between Sweden and its European neighbours. Such developments will probably also reduce differences in economic policy.

The margins for Swedish welfare policy have recently narrowed for yet another reason: the country has been forced to abandon foreign exchange controls after half a century, another result of the ongoing internationalization of the economic system. Since 1939, this legislation insulated the Swedish economy and made it possible to pursue an economic policy which diverged from that of other countries. Today, however, capital can easily move out of the country and already there have been signs of an industrial exodus from Sweden. Swedish companies are to a large extent multinational and practically all growth in their industrial employment now takes place abroad. More than half of the employees of the 20 largest industrial companies work outside Sweden. Moreover, there is no corresponding

direct foreign investment taking place in Sweden, a fact which is contributing to the erosion of the domestic industrial base. This development is partly motivated by the high cost of labour in Sweden, in turn partly a result of the generous welfare system.

It has been argued in this paper that the SAP's hegemony, the strong industrial base and relative national isolation were three important prerequisites for the creation of the Swedish planning and welfare system, the foundations of which were formed during the 1930s and 1940s. The gradual erosion of the SAP's hegemony, Sweden's recent relatively weak economic performance, and internationalization are three tendencies that may lead to alterations in the Swedish planning and welfare system and ultimately, may entail the loss of its characteristic profile.

Notes

1. G. Therborn, "Nation och klass, tur och skicklighet. Vägar till ständig (?) makt," *Socialdemokratins samhälle* (Stockholm: Tiden, 1988) passim; during the summer of 1936 the Agrarian Party formed the "Vacation Government."
2. For the general background to this paper, see: A. Hedborg and R. Meidner, *Folkhemsmodellen* (Stockholm: 1984); *Socialdemokratins samhälle*, (Stockholm: Tiden, 1988); L. Lewin, *Planhushållningsdebatten* (Stockholm: 1967); H. Heclö, *Modern Social Politics in Britain and Sweden From Relief to Income Maintenance* (New Haven and London: Yale University Press, 1975); S. Hadenius, *Swedish Politics During the 20th Century* (The Swedish Institute: 1988).
3. L. Schön, "Kapitalimport, kreditmarknad och industrialisering 1850-1910," *Upplåning och utveckling. Riksgäldskontoret 1789-1989* (Stockholm: 1989) passim.
4. For industrial late-comers, this was a normal strategy, which could be observed in a still more pronounced form in pre-revolutionary Russia, where centralized state-capitalism was systematically practiced in order to speed up industrial growth. A. Gerschenkron, *Economic backwardness in historical perspective* (Frederick A. Praeger: 1965) passim.
5. G. Esping Andersen, "Jämlikhet, effektivitet och makt. Socialdemokratisk välfärdspolitik," *Socialdemokratins samhälle* (Stockholm: Tiden, 1988) pp. 223 ff.
6. V. Bergström, "Program och ekonomisk politik 1920-1928. SAP i regeringsställning," *Socialdemokratins samhälle* (Stockholm: Tiden, 1988) passim.
7. *Ibid.* p. 27.

8. *Ibid.* p. 30 f.
9. *Ibid.* p. 24.
10. Summaries in N. Unga, *Socialdemokratin och arbetslöshetsfrågan 1912-1934. Framväxten av den 'nya' arbetslöshetspolitiken* (Stockholm: 1976); and Lewin, *Planhushållningsdebatten*, passim; A.S. Markovits, "The legacy of liberalism and collectivism in the labour movement: A tense but fruitful compromise for Model Germany," in A. S. Markovits and G. K. Romoser (eds.), *The Political Economy of West Germany. Modell Deutschland* (Praeger Publishers: 1982) passim.
11. Unga, *Socialdemokratin och arbetslöshetsfrågan...*, passim.
12. S. Källström, *Värdenihilism och vetenskap. Uppsala-filosofin i forskning och samhällsdebatt under 1920- och 1930-talen* Gothenburg studies in the history of science and ideas, No 6, (Göteborg: 1964) passim.
13. *Ibid.* p. 186.
14. G. Myrdal, *Vetenskap och politik i nationalekonomin* (Stockholm: 1930).
15. Källström, *Värdenihilism och vetenskap...*, pp. 101-139; G.B. Nilsson, "Den sociala ingenjörskonstens problematik. En orättfärdig dissection av den unge Gunnar Myrdal," *Nyt Norsk Tidsskrift*, 2 (1990) passim.
16. Citation from U. Sandström, *Arkitektur och social ingenjörskonst. Studier i svensk arkitektur- och bostadsforskning* Linköping studies in arts and science, No 47, (1989) p. 297.
17. A. Myrdal and G. Myrdal, *Kris i befolkningsfrågan* (Stockholm, 1934).
18. K. Popper, *The Open Society and Its Enemies. I • II* (London: Routledge & Kegan Paul, 1966); and *idem. The Poverty of Historicism* (London: Routledge & Kegan Paul, 1969).
19. Y. Hirdman, *Att lägga livet tillrätta. Studier i svensk folkhemspolitik* (Stockholm: Carlssons, 1989) passim.
20. *Ibid.* p. 13.
21. See *Ibid.*, passim. Citation p. 124.
22. L. Friberg, *Styre i kristid. Studier i krisförvaltningens organisation och struktur 1939 - 1945* (Stockholm: Allmänna Förlaget, 1973) p. 166.
23. *Ibid.* p. 368.
24. Bergström, "Program och ekonomisk politik 1920-1928...", pp. 34-36.
25. The expected postwar depression never materialized. The main task of economic policy during the late forties instead became to dampen the boom. In the 1948 elections, the political wind shifted in a liberal direction and the SAP barely managed to remain in power. During most of the 1950s, the SAP governed in coalition with the Agrarian Party.
26. The annual rate of growth of total output in Western Europe, the United States, Canada, and Japan was (unweighted average, expressed as percent): 4.6 during the 1950s; 5.4 during the 1960s; and 3.4 during the 1970s. The Swedish figures were respectively: 3.4, 4.6, and 2.0. See H. Van der Wee, "Prosperity and Upheaval," *The world economy 1945-1980* (Viking: 1986) p. 50. Nilsson, "Den sociala ingenjörskonstens problematik...", p. 2. L. Waara, "Den offentliga sektorn i ett ekonomisk-historiskt perspektiv" in K. Persson (ed.), *Offentlig sektor. Om rationalisering och omprövning av offentlig verksamhet*, (Stockholm: 1982) passim. Cf D.E. Ashford, *The Emergence of the Welfare States* (Basil Blackwell: 1988) pp. 20-29.
27. T. Strömberg, "Historien om bostadsmarknadens politisering. Socialdemokraterna och bostadsfrågan," *Socialdemokratins samhälle* (Stockholm: Tiden, 1988) p. 147. *Ibid.* p. 156.
28. Myrdal and Myrdal, *Kris i befolkningsfrågan*, p. 235.
29. On functionalism and housing, see Sandström, *Arkitektur och social ingenjörskonst...*, pp. 283-292.
30. Strömberg, "Historien om bostadsmarknadens politisering...", p. 160. *Ibid.* pp. 291-292.
31. S. Gustavsson, "Housing, Building, and Planning," L. Lewin, and E. Vedung (eds.), *Politics as rational action* (D. Reidel Publishing Company: 1980) pp. 175-177.
32. Strömberg, "Historien om bostadsmarknadens politisering...", p. 145.
33. B. Rothstein, *Den socialdemokratiska staten: reformer och förvaltning inom svensk arbetsmarknads- och skolpolitik* (Lund: 1986) p. 164 f., passim.
34. For fresh examples of views from abroad, see D. Pedersen, "The Swedish model," *Newsweek*, 5 March 1990; and "The Swedish economy. A survey," *The Economist*, 3 March 1990.
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